

Message Text

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ACTION NEA-12

INFO OCT-01 ISO-00 SWF-02 AGR-20 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07

SS-20 STR-08 CEA-02 PA-04 PRS-01 USIA-15 DRC-01 /169 W

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R 040900Z APR 74

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 787

C O N F I D E N T I A L COLOMBO 922

EO 11652: GDS

TAGS: EAGR, ELAB, ECON, CE

SUBJ: GSL ANNOUNCES WAGE INCREASE AND RISE IN OFFICIAL
PADDY PURCHASE PRICE

REF: COLOMBO 850

1. GSL ANNOUNCED MARCH 29 TWENTY PERCENT WAGE INCREASE
FOR ALL PUBLIC SECTOR EMPLOYEES EARNING LESS THAN
RS 800 PER MONTH. TEN PERCENT "SPECIAL ALLOWANCE"
GRANTED EARLIER TO THOSE DRAWING MONTHLY SALARIES BELOW
RS 400 IS NOW WITHDRAWN. TEN PERCENT INCREASE FOR
PRIVATE SECTOR WORKERS ALSO ANNOUNCED, INCLUDING
PLANTATION LABOR, ADDED TO EARLIER TEN PERCENT INCREASE
GRANTED IN OCT 1973. INCREASES CAME INTO EFFECT
APRIL 1. ALTHOUGH INCREASE SUBJECT TO MAXIMUM OF
RS 50 PER MONTH, ADDITIONAL COST TO GSL TREASURY ALONE
ESTIMATED AT RS 140 MILLION PER YEAR.

2. FINANCE MINISTRY ALSO ANNOUNCED SEPARATELY ON SAME
DAY THAT PADDY MARKETING (PMB) GUARANTEED
PURCHASE PRICE FOR PADDY HAS BEEN RAISED FROM RS 25
TO RS 30 PER BUSHEL. AT SAME TIME, PRICE OF PAID
MEASURE OF RICE ISSUED UNDER RICE RATIONING SCHEME
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INCREASED FROM RS 2 TO RS 2.30 PER MEASURE IN EFFORT

TO OFFSET INCREASE IN PADDY PURCHASE PRICE.

3. COMMENT: THESE DECISIONS ARE POLITICALLY RATHER THAN ECONOMICALLY MOTIVATED. INCREASED PADDY PURCHASE PRICE IS NOT SUFFICIENT TO ATTRACT RICE FROM PRODUCERS INTO OFFICIAL CHANNELS SINCE BLACK MARKET PRICES NOW SUBSTANTIALLY HIGHER IN MANY AREAS. WAGE HIKE WILL FUEL CONSUMER DEMAND AND MAKE COMMODITIES RATIONING MORE DIFFICULT. WHAT DECISIONS DO SUGGEST IS TRADE-OFF BETWEEN RURAL AND URBAN FACTIONS IN CABINET, WITH LATTER ATTAINING LARGEST SHARE OF BENEFITS. WAGE INCREASE ALMOST FULLY MEETS LONG-STANDING DEMAND BY PRO-GOVT UNIONS DOMINATED BY TROTSKYITE LANKA SAMA SAMAJA PARTY (LSSR), DEMANDS WHICH WITHIN RECENT WEEKS HAVE BEGUN TO INCLUDE THREAT OF PROTRACTED STRIKE ACTIONS DURING MONTH OF APRIL. PLANNING MINISTRY SOURCE HAS TOLD EMBOFF THAT SERIES OF RAPID ADJUSTMENTS IN PMB AND RATION PRICES AND RATION QUANTITIES COULD BE EXPECTED OVER NEXT SIX MONTHS. SOURCE PREDICTED SUCCESSIVE CHANGES WOULD REFLECT POLITICAL PRIORITIES AND INABILITY OF GSL TO FOLLOW ANY LONG-RANGE COHERENT FOOD SUPPLY POLICY.
VAN HOLLEN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PROCUREMENT, RICE, WAGES, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 04 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974COLOMB00922
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740075-1193
From: COLOMBO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740468/aaaacked.tel
Line Count: 82
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: COLOMBO 850
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 24 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 SEP 2002 by boyleja>; APPROVED <05 FEB 2003 by GolinoFR>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GSL ANNOUNCES WAGE INCREASE AND RISE IN OFFICIAL PADDY PURCHASE PRICE
TAGS: EAGR, ELAB, ECON, CE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005